

Minutes for March 31, 1965.

To: Members of the Board

From: Office of the Secretary

Attached is a copy of the minutes of the Board of Governors of the Federal Reserve System on the above date.

It is not proposed to include a statement with respect to any of the entries in this set of minutes in the record of policy actions required to be maintained pursuant to section 10 of the Federal Reserve Act.

Should you have any question with regard to the minutes, it will be appreciated if you will advise the Secretary's Office. Otherwise, please initial below. If you were present at the meeting, your initials will indicate approval of the minutes. If you were not present, your initials will indicate only that you have seen the minutes.

Chm. Martin

W

Gov. Robertson

R

Gov. Balderston

CCB

Gov. Shepardson

ESP

Gov. Mitchell

LM

Gov. Daane

DD

Minutes of the Board of Governors of the Federal Reserve System on Wednesday, March 31, 1965. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
 Mr. Balderston, Vice Chairman
 Mr. Robertson
 Mr. Shepardson
 Mr. Mitchell

Mr. Sherman, Secretary
 Mr. Kenyon, Assistant Secretary
 Mr. Noyes, Adviser to the Board
 Mr. Molony, Assistant to the Board
 Mr. Fauver, Assistant to the Board
 Mr. Hackley, General Counsel
 Mr. Farrell, Director, Division of Bank Operations
 Mr. Solomon, Director, Division of Examinations
 Mr. Kelleher, Director, Division of Administrative Services
 Mr. Daniels, Assistant Director, Division of Bank Operations
 Mr. Sprecher, Assistant Director, Division of Personnel Administration
 Mr. Morgan, Staff Assistant, Board Members' Offices

Circulated items. The following items, copies of which are attached to these minutes under the respective item numbers indicated, were approved unanimously:

Letter to Manufacturers Hanover Trust Company, New York, New York, approving the establishment of a branch at 24 West 57th Street, Borough of Manhattan, operations at this branch to be discontinued upon completion of the remodeling program of the bank's branch at 741 Fifth Avenue.

Item No.

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	<u>Item No.</u>
Letter to Montgomery County Bank and Trust Company, Norristown, Pennsylvania, waiving the requirement of six months' notice of withdrawal from membership in the Federal Reserve System.	2
Letter to Metropolitan National Bank, Denver, Colorado, granting its request for permission to maintain reduced reserves.	3
Letter to Citizens Bank, Vermillion, South Dakota, approving an additional investment in bank premises.	4
Letters to the Federal Reserve Bank of Atlanta approving the payment of salaries to W. M. Davis as Assistant Vice President and G. Gale Roberson, Jr., as Assistant Counsel at the respective rates fixed by the Bank's Board of Directors.	5-6

Currency exhibit. In a circulated memorandum dated March 18, 1965, Messrs. Molony, Daniels, and Kelleher reported that in accordance with the procedure contemplated by the Board on November 6, 1963, new specimens had been obtained from the Bureau of Engraving and Printing, without charge, to replace the notes in the Board's currency exhibit that were in poor condition. With these specimens and the low-numbered \$1 Federal Reserve notes (1963 Series) already on hand, it would be possible to bring the exhibit up to date and into better condition. Specimens of higher denomination Federal Reserve notes of the 1963 Series, plus certain United States notes, could be added as they became available. (The low-numbered \$1 Federal Reserve notes would be the only genuine currency included in the display.)

It was recommended that the \$1 Federal Reserve notes be placed in a separate panel in the currency exhibit; that specimens be obtained

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of the 1957 Series \$1 silver certificate, and, as they became available, also of the 1963 Series \$2 and \$5 United States notes and the 1963 Series \$5-\$100 Federal Reserve notes; and that a suitable method be devised of lighting the exhibit.

Following discussion, these recommendations were approved unanimously.

Messrs. Noyes, Kelleher, and Morgan then withdrew from the meeting.

New York building project. In its letter of October 26, 1964, the Board informed the Federal Reserve Bank of New York that it would interpose no objection to the exercising of options to buy certain property across Maiden Lane from the Reserve Bank building. The letter indicated that the authorization was not to be construed as constituting approval for building construction or for arranging to terminate leases in respect of the properties to be acquired. The letter expressed the belief that it would be desirable to defer building plans until the impact of automation on Reserve Bank operations became more clear.

In a letter dated March 11, 1965, First Vice President Treiber of the New York Reserve Bank stated that situations had been encountered in which it might have been possible to terminate certain long-term leases at modest cost if the Reserve Bank had been able to act promptly and decisively. Authorization was requested for the Reserve Bank to arrange for the termination or substantial shortening of any of the

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tenancies in the recently acquired buildings, or for any other action that would reduce the cost of ultimately obtaining possession of the buildings, where it appeared to the Reserve Bank to be advantageous to do so and where the cost involved in each instance would not exceed \$25,000.

In a distributed memorandum dated March 26, 1965, Mr. Farrell reviewed the situation and recommended advising the Reserve Bank that the Board doubted the advisability of any expenditure at this time to terminate leases. However, if an opportunity should arise to terminate a lease tying up a substantial amount of space beyond 1970 and the offer was so attractive as to make the Bank feel that the Board should make an exception, the Board would be glad to give consideration to any such proposal on an ad hoc basis. Pending clarification of the need by the Bank for additional space, the Board would suggest that lease renewals (where there was no commitment by option) be limited to a three-year basis.

In his memorandum and in comments at this meeting, Mr. Farrell suggested that a misunderstanding might exist between the Board and the Reserve Bank. The Board apparently had felt that acquisition of the property was an appropriate move as a protection against the possibility of future expansion needs, but that uncertainty as to the need for a building addition would not be resolved until more was known about the impact of various technological developments on Reserve Bank operations.

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There appeared to be some reason to believe that this position was not clearly understood by the Reserve Bank. There was no indication that the Reserve Bank shared the view that it would be desirable to await automation developments, which might require several years, before moving ahead with its plan for a building addition. The question in respect to terminating leases appeared to hinge largely on whether the Board wanted to adhere to its previous position or leave the matter to the discretion of the Reserve Bank, with the advice of its real estate consultant.

Governor Mitchell confirmed that it had been his feeling earlier that it would be advisable to permit the Reserve Bank to acquire the property but not to take any immediate steps toward constructing a new building. He believed that space requirements at Federal Reserve Banks were likely to change quite substantially and that building expansion programs therefore should be held in abeyance wherever possible.

There ensued discussion of information recently received concerning the need of the New York Bank for additional vault space, following which Chairman Martin expressed doubt whether the Board should place itself in a position of attempting to pass judgment on what action should or should not be taken with respect to particular leases. He noted the amount of work and specialized knowledge of local conditions required for handling this type of operation.

Other members of the Board concurred in this view. Governor Mitchell observed that the only decision he thought the Board could

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reasonably make was to advise the New York Bank when the Board was prepared to let the Bank go ahead with the building project. There would have to be some judgment on when access to the property was needed for the erection of a new building, and this would affect the handling of leases.

After further discussion of the various factors involved, Chairman Martin suggested that an appropriate representative of the New York Reserve Bank be asked to meet with the Board at a mutually convenient time, with a view to discussing the whole problem and endeavoring to make sure that there was a meeting of the minds between the Board and the Reserve Bank on the fundamental questions involved.

All members of the staff except Messrs. Sherman, Kenyon, Hackley, Farrell, and Solomon then withdrew from the meeting.

Bank of White Sulphur Springs. Mr. Solomon reported for the Board's information on developments at the Bank of White Sulphur Springs, White Sulphur Springs, West Virginia, a State member bank that had been classified as a problem bank for some time, principally due to inadequate capital and management weakness. During the current examination of the bank it had been found that a line of paper acquired through an automobile dealer appeared to have substantial losses in it. The indicated losses would wipe out the bank's undivided profits and about half of its surplus.

Mr. Solomon indicated that the Federal Reserve Bank of Richmond was pursuing the matter vigorously and described remedial steps that

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were being sought by the Reserve Bank in cooperation with the State Banking Department. Despite the difficulties involved, he did not consider it probable that the bank would have to close.

San Francisco National Bank. Mr. Solomon reported as a matter of information on certain interagency meetings that he had attended recently with regard to proposals to reopen the San Francisco National Bank, San Francisco, California, currently in process of liquidation. In his recital of these proposals, Mr. Solomon described reasons why it did not appear that they were realistic or feasible. In this connection he also reported that as of a recent date the national bank's borrowings from the San Francisco Reserve Bank had been paid down to about \$5.6 million, which balance was secured by assets having a face value of about \$10 million. It appeared likely that the Reserve Bank would be paid off in full, but the remainder of the national bank's assets were reportedly of such quality as to make the extent of recovery on them highly problematical.

The meeting then adjourned.

Secretary's Notes: Governor Shepardson today approved on behalf of the Board the following items:

Letter to the Federal Reserve Bank of Cleveland (attached Item No. 7) approving the designation of 11 employees as special assistant examiners.

Memoranda recommending the following actions relating to the Board's staff:

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Transfer

Judith S. Scully, from the position of Secretary in the Division of Personnel Administration to the position of Secretary in the Division of International Finance, with an increase in basic annual salary from \$5,165 to \$5,505, effective April 5, 1965.

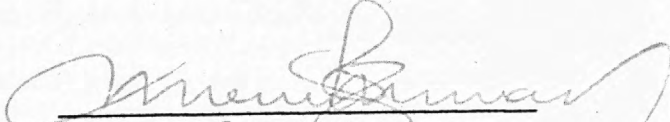
Extension of working hours

Mary C. Wing, Technical Editor (Economics), Division of Research and Statistics, from a 4-hour day to a 6-hour day (with annual salary at the rate of \$7,954), beginning April 1, 1965, to about May 15, 1965.

Acceptance of resignation

R. W. Lindholm, Economist, Division of Research and Statistics, effective at the close of business April 9, 1965.

Governor Shepardson today noted on behalf of the Board a memorandum from the Division of Bank Operations advising that Gerald M. Conkling, Assistant Director in that Division had made application for retirement, effective May 1, 1965.


Secretary

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 31, 1965



Board of Directors,
Manufacturers Hanover Trust Company,
New York, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch by Manufacturers Hanover Trust Company, New York, New York, at 24 West 57th Street, Borough of Manhattan, New York, New York, provided the branch is established within six months from the date of this letter and provided further that branch operations at 24 West 57th Street are discontinued upon completion of the remodeling program for the bank's branch at 741 Fifth Avenue, Borough of Manhattan.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 2
3/31/65



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 31, 1965

Board of Directors,
Montgomery County Bank and
Trust Company,
Norristown, Pennsylvania.

Gentlemen:

The Federal Reserve Bank of Philadelphia has forwarded to the Board of Governors your letter dated March 12, 1965, together with the accompanying resolution signifying your intention to withdraw from membership in the Federal Reserve System and requesting waiver of the six months' notice of such withdrawal.

In accordance with your request, the Board of Governors waives the requirement of six months' notice of withdrawal. Upon surrender to the Federal Reserve Bank of Philadelphia of the Federal Reserve Bank stock issued to your institution, such stock will be canceled and appropriate refund will be made thereon. Under the provisions of Section 208.10(c) of the Board's Regulation H, your institution may accomplish termination of its membership at any time within eight months from the date the notice of intention to withdraw from membership was given.

It is requested that the certificate of membership be returned to the Federal Reserve Bank of Philadelphia.

Very truly yours,
(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 31, 1965

Board of Directors,
Metropolitan National Bank,
Denver, Colorado.

Gentlemen:

With reference to your request submitted through the Federal Reserve Bank of Kansas City, the Board of Governors, acting under the provisions of Section 19 of the Federal Reserve Act, grants permission to the Metropolitan National Bank to maintain the same reserves against deposits as are required to be maintained by non-reserve city banks, effective with the first biweekly reserve computation period beginning after the date of this letter.

Your attention is called to the fact that such permission is subject to revocation by the Board of Governors.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

Item No. 4
3/31/65



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 31, 1965

Board of Directors,
Citizens Bank,
Vermillion, South Dakota.

Gentlemen:

On January 4, 1965, the Board of Governors of the Federal Reserve System approved, pursuant to the provisions of Section 24A of the Federal Reserve Act, an investment, direct and indirect, of \$165,000 by Citizens Bank, Vermillion, South Dakota, for the construction of new banking quarters, including \$47,500 expended for purchase of the land. The Board now approves an additional investment of \$11,000 in bank premises for the electrical contract on the new building.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.

Item No. 5
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OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 31, 1965

CONFIDENTIAL (FR)

Mr. Malcolm Bryan, President,
Federal Reserve Bank of Atlanta,
Atlanta, Georgia 30303.

Dear Mr. Bryan:

The Board of Governors approves the payment of salary to Mr. W. M. Davis as Assistant Vice President of the Federal Reserve Bank of Atlanta at the rate of \$18,000 per annum for the period March 22 through December 31, 1965.

The rate approved is that fixed by the Executive Committee of the Board of Directors as reported in your letter of March 22, 1965.

Very truly yours,
(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

Item No. 6
3/31/65



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 31, 1965

CONFIDENTIAL (FR)

Mr. Harold T. Patterson,
First Vice President and General Counsel,
Federal Reserve Bank of Atlanta,
Atlanta, Georgia 30303.

Dear Mr. Patterson:

The Board of Governors approves the payment of salary to Mr. G. Gale Roberson, Jr. as Assistant Counsel of the Federal Reserve Bank of Atlanta at the rate of \$14,500 per annum for the period June 1 through December 31, 1965. The rate approved is that fixed by your Board of Directors as reported in your letter of March 16, 1965.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 1, 1965

Mr. Harry W. Huning, Vice President,
Federal Reserve Bank of Cleveland,
Cleveland, Ohio. 44101

Dear Mr. Huning:

In accordance with the request contained in your letter of March 25, 1965, the Board approves the designation of the following employees as special assistant examiners for the Federal Reserve Bank of Cleveland:

- Raymond Doehring
- Donald Vincel
- Edward Majher
- Thomas Friery
- Richard Fergus
- Chester Gorzelanczyk
- Richard Horan
- Ronald Maser
- Norman Hagen
- Thomas Kohanski
- Boyd Murdock

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.